

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Township Of Frankenmuth	County Saginaw
Fiscal Year End 03/31/06	Opinion Date August 29, 2006	Date Audit Report Submitted to State September 27, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

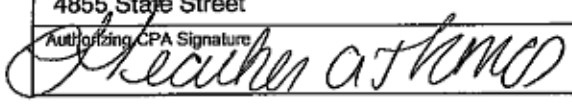
YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Gardner, Provenzano, Schauman & Thomas, P.C.		Telephone Number 989-790-3900	
Street Address 4855 State Street		City Saginaw	State MI
Authorizing CPA Signature 		Printed Name Heather A. Thomas	Zip 48603
		License Number 1101024719	

**TOWNSHIP OF FRANKENMUTH**  
**Saginaw County, Michigan**

**FINANCIAL STATEMENTS**  
**March 31, 2006**

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# Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner  
Giacamo Provenzano  
James R. Schauman  
Heather A. Thomas

## INDEPENDENT AUDITOR'S REPORT

August 29, 2006

To the Township Board  
Township of Frankenmuth  
Saginaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, business type activities and each major fund of Township of Frankenmuth, Saginaw County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the Township of Frankenmuth, Saginaw County, Michigan as of March 31, 2006, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Township Board  
Township of Frankenmuth  
Saginaw County, Michigan  
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The management's discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Gardner, Provengano, Delaunay & Thomas, P.C.*

Certified Public Accountants

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

TOWNSHIP OF FRANKENMUTH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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Our discussion and analysis of the Township of Frankenmuth's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2006.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** – The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in the future fiscal periods.

**Fund financial statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

TOWNSHIP OF FRANKENMUTH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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**Overview of the Financial Statements (continued)**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Proprietary Funds** – Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long and short-term financial information.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budget.

**GOVERNMENTAL-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Township, net assets increased by \$118,729 to \$3,210,947 at March 31, 2006.

The largest portion of the Township's net assets (55%) reflects unrestricted net assets that may be used to meet the government's ongoing obligations. The second largest portion of net assets (45%) reflects its investments in capital assets less any debt used to acquire those assets that are still outstanding. The Township uses these capital assets to provide service to citizens. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



**TOWNSHIP OF FRANKENMUTH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**GOVERNMENTAL-WIDE FINANCIAL ANALYSIS (continued)**

	Government Activities		Business-type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Assets</b>						
Current assets	\$ 834,014	\$ 836,381	\$ 940,340	\$ 922,769	\$ 1,774,354	\$ 1,759,150
Noncurrent assets	154,447	139,502	3,183,154	3,422,327	3,337,601	3,561,829
Total Assets	<u>\$ 988,461</u>	<u>\$ 975,883</u>	<u>\$ 4,123,494</u>	<u>\$ 4,345,096</u>	<u>\$ 5,111,955</u>	<u>\$ 5,320,979</u>
<b>Liabilities</b>						
Current liabilities	\$ 13,060	\$ 18,448	\$ 183,733	\$ 183,733	\$ 196,793	\$ 202,181
Long-term liabilities	-	-	1,704,215	2,026,580	1,704,215	2,026,580
Total Liabilities	<u>13,060</u>	<u>18,448</u>	<u>1,887,948</u>	<u>2,210,313</u>	<u>1,901,008</u>	<u>2,228,761</u>
Investment in capital assets-net	140,836	139,502	1,295,205	1,198,145	1,436,041	1,337,647
Unrestricted	834,565	817,933	940,341	936,838	1,774,906	1,754,571
Total Net assets	<u>\$ 975,401</u>	<u>\$ 957,435</u>	<u>\$ 2,235,546</u>	<u>\$ 2,134,783</u>	<u>\$ 3,210,947</u>	<u>\$ 3,092,218</u>

	Governmental Activities		Business-type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Revenue</b>						
Program revenue						
Charges for services	\$ 473,528	\$ 449,622	\$ 242,911	\$ 233,318	\$ 716,439	\$ 682,940
General revenue						
Property taxes	72,648	70,056	-	-	72,648	70,056
State Shared revenue	140,435	137,530	-	-	140,435	137,530
Interest	22,159	11,177	31,236	13,861	53,395	25,038
Miscellaneous	11,116	18,885	-	-	11,116	18,885
Total Revenue	<u>719,886</u>	<u>687,270</u>	<u>274,147</u>	<u>247,179</u>	<u>994,033</u>	<u>934,449</u>
Program Expense						
Legislative	84,009	53,431	-	-	84,009	53,431
General government	75,732	69,024	-	-	75,732	69,024
Public safety	270,155	260,999	-	-	270,155	260,999
Public works	272,024	354,874	-	-	272,024	354,874
Water	-	-	173,384	181,758	173,384	181,758
Total Program Expenses	<u>701,920</u>	<u>738,328</u>	<u>173,384</u>	<u>181,758</u>	<u>875,304</u>	<u>920,086</u>
Change in Net Assets	<u>\$ 17,966</u>	<u>\$ (51,058)</u>	<u>\$ 100,763</u>	<u>\$ 65,421</u>	<u>\$ 118,729</u>	<u>\$ 14,363</u>

The Township's net assets increased by \$118,729 for the year ended March 31, 2006. This increase was primarily due to the Water funds collection of special assessment revenue in excess of the year's debt payment.

TOWNSHIP OF FRANKENMUTH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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**FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

The Township's general fund balance has, by design, gradually declined over the past 7 years to a present level that represents approximately 96% of the 2006 budgeted expenditures.

In an effort to spread State revenue sharing to other funds and minimize the special assessment charged to our taxpayers the general fund had made transfers as follows:

	2006	2005
Road Fund	\$ 75,000	\$ 50,000
Police Protection	30,000	55,000
Fire Equipment	10,000	5,000
Building Fund	25,000	25,000
Garbage Fund	8,000	-
Total	<u>\$ 148,000</u>	<u>\$ 135,000</u>

Revenue Sharing provides approximately 54% of general fund revenues.

Taxable Value for Frankenmuth Township increased from \$83.9 million in 2005 to \$88.0 million in 2006, an increase of approximately 4.9%.

The police fund, garbage pickup fund, the fire equipment fund are all funded through special assessments, police and fire equipment spread equally over properties having building structures on them requiring these types of protection. The garbage pickup fund and special assessments are spread equally over properties having residences. Assessments for 2006 were \$202, \$100 and \$37 respectively, and are projected to be \$202, \$100 and \$42 for 2007, a combined increase of \$5, or 1.5%.

The road fund is funded through a Road Millage of 2 mills, adjusted by Headlee. This raises approximately \$165,000 annually, which combined with the general fund subsidy, provides about \$225,000 - \$250,000 annually for road construction. With the proposed increase in charges by the Road Commission in 2007 the Township will curtail starting any new road projects until projects already started are completed.

The building fund had \$25,000 transferred from the general fund annually for potential renovation of the present Township Hall (owned jointly with the City/Township Commission) for increased office and storage space. Because of the decision to relocate the offices to the Frankenmuth City Hall the allocation was discontinued for 2006, relocation expenses will be charged against the building fund. The \$25,000 amount will be added to the road fund subsidy because of the increased road costs.

TOWNSHIP OF FRANKENMUTH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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**FINAL BUDGET VERSUS ACTUAL**

**General Fund Interest**

- Generally interest income is budgeted on a conservative basis because of the unknown as to where interest rates will be. During 2006 money, which had previously been invested in a Municipal Invest Fund automatically swept from the checking account, was put into three CD's with a higher interest rate. Because of this change, interest received was higher than budgeted.

**State Revenue Sharing**

- The variance of \$10,050 was due to an audit adjustment to recognize income earned during the year.

**Planning and Zoning**

- The variance in planning and zoning expense was due to less salary expense than anticipated.

Management believes the changes from the first budget adopted and final budget adopted were minimal.

**CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY**

The Township business-type funds paid \$183,733 of principal on long-term debt. Capital asset additions were made to Governmental funds in the amount of \$4,530.

**CONTACTING THE TOWNSHIP'S MANAGEMENT**

This financial report provides taxpayers and other interested parties with the Township's general financial overview and accountability. If you require further information please contact the Township Office at P.O. Box 245, Frankenmuth, MI 48734.

TOWNSHIP OF FRANKENMUTH  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
MARCH 31, 2006

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and investments	\$ 803,229	\$ 939,540	\$ 1,742,769
Taxes receivable	2,632	-	2,632
Other receivables	28,153	800	28,953
Total current assets	<u>834,014</u>	<u>940,340</u>	<u>1,774,354</u>
Other assets:			
Special assessments receivable	<u>13,611</u>	<u>651,745</u>	<u>665,356</u>
Capital assets:			
Capital assets	212,665	3,470,947	3,683,612
Less accumulated depreciation	<u>(71,829)</u>	<u>(939,538)</u>	<u>(1,011,367)</u>
Net fixed assets	<u>140,836</u>	<u>2,531,409</u>	<u>2,672,245</u>
Total Assets	<u>\$ 988,461</u>	<u>\$ 4,123,494</u>	<u>\$ 5,111,955</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable	\$ 13,060	\$ -	\$ 13,060
Current portion of long-term liabilities	-	183,733	183,733
Total current liabilities	<u>13,060</u>	<u>183,733</u>	<u>196,793</u>
Long-term liabilities:			
Bonds and loans payable	-	1,052,471	1,052,471
Deferred revenue-special assessments	-	651,744	651,744
Total long-term liabilities	<u>-</u>	<u>1,704,215</u>	<u>1,704,215</u>
Net assets:			
Invested in capital assets net of related debt	140,836	1,295,205	1,436,041
Unrestricted	834,565	940,341	1,774,906
Total net assets	<u>975,401</u>	<u>2,235,546</u>	<u>3,210,947</u>
Total Liabilities and Net Assets	<u>\$ 988,461</u>	<u>\$ 4,123,494</u>	<u>\$ 5,111,955</u>

See accompanying notes to basic financial statements.

TOWNSHIP OF FRANKENMUTH  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2006

		Program Revenue	Governmental Activities	Business Type Activities	Total
	Expenses	Charges for Services	Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
<b>FUNCTIONS/PROGRAMS</b>					
<b>Governmental Activities:</b>					
Legislative	\$ 84,009	\$ -	\$ (84,009)	\$ -	\$ (84,009)
General government	75,732	36,287	(39,445)	-	(39,445)
Public safety	270,155	192,968	(77,187)	-	(77,187)
Public works	272,024	244,273	(27,751)	-	(27,751)
Total Governmental Activities	701,920	473,528	(228,392)	-	(228,392)
<b>Business-Type Activities:</b>					
Water	173,384	242,911	-	69,527	69,527
Total Government	\$ 875,304	\$ 716,439	(228,392)	69,527	(158,865)
<b>General Revenues:</b>					
Property taxes			72,648	-	72,648
State revenue sharing			140,435	-	140,435
Interest			22,159	31,236	53,395
Miscellaneous			11,116	-	11,116
Total General Revenues			246,358	31,236	277,594
Change in net assets			17,966	100,763	118,729
Net assets, Beginning of Year Restated (Note 9)			957,435	2,134,783	3,092,218
Net assets, End of Year			\$ 975,401	\$ 2,235,546	\$ 3,210,947

See accompanying notes to basic financial statements.

TOWNSHIP OF FRANKENMUTH  
BALANCE SHEET - GOVERNMENTAL FUNDS  
MARCH 31, 2006

Assets	General	Police	Road	Garbage	Building	Fire Equipment	Cemetery	Total
Cash and investments	\$ 273,456	\$ 104,948	\$ 159,414	\$ 111,505	\$ 93,402	\$ 31,457	\$ 29,047	\$ 803,229
Taxes receivable	2,632	-	-	-	-	-	-	2,632
Interest receivable	331	-	-	-	-	-	-	331
Other receivables	-	-	4,522	-	-	-	-	4,522
Due from other governments	23,300	-	-	-	-	-	-	23,300
Special assessments receivable	-	5,656	4,420	2,499	-	1,036	-	13,611
Total Assets	\$ 299,719	\$ 110,604	\$ 168,356	\$ 114,004	\$ 93,402	\$ 32,493	\$ 29,047	\$ 847,625
Liabilities and Fund Equity								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ 13,060	\$ -	\$ -	\$ -	\$ 13,060
Total liabilities	-	-	-	13,060	-	-	-	13,060
Fund equity:								
Fund balances:								
Unreserved:								
Undesignated	299,719	110,604	168,356	100,944	93,402	32,493	29,047	834,565
Total fund equity	299,719	110,604	168,356	100,944	93,402	32,493	29,047	834,565
Total Liabilities and Fund Equity	\$ 299,719	\$ 110,604	\$ 168,356	\$ 114,004	\$ 93,402	\$ 32,493	\$ 29,047	\$ 847,625

See accompanying notes to basic financial statements.

TOWNSHIP OF FRANKENMUTH  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2006

Total fund balances - governmental funds	\$ 834,565
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds balance sheet	
Capital assets at cost	212,665
Accumulated depreciation	(71,829)
Total net assets - governmental activities	<u>\$ 975,401</u>

See accompanying notes to basic financial statements.

TOWNSHIP OF FRANKENMUTH  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED MARCH 31, 2006

	General	Police	Road	Garbage	Building	Fire	Cemetery	Total
<b>Revenues:</b>								
Property taxes	\$ 72,848	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,848
Licenses and permits	1,290	-	-	-	-	-	-	1,290
State revenue sharing	140,660	386	-	-	-	-	-	140,436
Charges for services:								
Property tax administration	33,622	-	-	-	-	-	-	33,622
Interest	9,505	1,002	3,149	3,843	3,154	809	97	22,150
Special assessments	1,375	163,090	188,347	77,926	-	29,878	-	438,610
Miscellaneous	1,845	-	3,828	5,283	-	-	350	11,116
<b>Total revenues</b>	<b>260,135</b>	<b>165,077</b>	<b>173,324</b>	<b>87,052</b>	<b>3,154</b>	<b>30,687</b>	<b>447</b>	<b>710,889</b>
<b>Expenditures:</b>								
<b>Legislative</b>								
Township Board	88,539	-	-	-	-	-	-	88,539
<b>General government</b>								
Supervisor	12,037	-	-	-	-	-	-	12,037
Elections	1,205	-	-	-	-	-	-	1,205
Assessor	10,690	-	-	-	-	-	-	10,690
Clerk	11,623	-	-	-	-	-	-	11,623
Board of Review	826	-	-	-	-	-	-	826
Treasurer	14,586	-	-	-	-	-	-	14,586
Building and grounds	9,085	-	-	-	11,399	-	-	20,485
Cemetery	784	-	-	-	-	-	-	784
<b>Public safety</b>								
Fire protection	28,509	-	-	-	-	35,188	-	63,695
Police protection	-	194,622	-	-	-	-	-	194,622
Planning and zoning	11,838	-	-	-	-	-	-	11,838
<b>Public works</b>								
Highways and streets	-	-	191,409	-	-	-	-	191,409
Street lighting	3,645	-	-	-	-	-	-	3,645
Sanitation	949	-	-	75,021	-	-	-	75,970
<b>Total expenditures</b>	<b>194,617</b>	<b>194,622</b>	<b>191,409</b>	<b>75,021</b>	<b>11,399</b>	<b>35,188</b>	<b>-</b>	<b>703,254</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>65,518</b>	<b>(29,545)</b>	<b>(18,085)</b>	<b>11,041</b>	<b>(8,245)</b>	<b>(4,499)</b>	<b>447</b>	<b>16,632</b>
<b>Other financing sources (uses)</b>								
Operating transfers in	-	55,000	50,000	-	25,000	5,000	-	135,000
Operating transfers out	(103,000)	-	-	(32,000)	-	-	-	(135,000)
<b>Total other financing sources (uses)</b>	<b>(103,000)</b>	<b>55,000</b>	<b>50,000</b>	<b>(32,000)</b>	<b>25,000</b>	<b>5,000</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other sources</b>	<b>(37,482)</b>	<b>25,455</b>	<b>31,915</b>	<b>(20,959)</b>	<b>16,755</b>	<b>501</b>	<b>447</b>	<b>16,632</b>
<b>Fund Balances, Beginning restated (Note D)</b>	<b>337,201</b>	<b>85,149</b>	<b>135,441</b>	<b>121,903</b>	<b>78,647</b>	<b>31,992</b>	<b>28,800</b>	<b>817,933</b>
<b>Fund Balances, Ending</b>	<b>\$ 299,719</b>	<b>\$ 110,604</b>	<b>\$ 166,356</b>	<b>\$ 100,944</b>	<b>\$ 95,402</b>	<b>\$ 32,493</b>	<b>\$ 29,047</b>	<b>\$ 834,565</b>

See accompanying notes to basic financial statements.



TOWNSHIP OF FRANKENMUTH  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED MARCH 31, 2006

Net Changes in Fund Balances-Total Governmental Funds	\$	16,632
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Amounts reported for governmental activities in the Statement of Activities  
 are different because,

Governmental funds report capital outlays as expenditures; in the  
 Statement of Activities, these costs are allocated over their  
 estimated useful lives as depreciation

Depreciation Expense		(3,196)
Capital Outlay		4,530

Change in Net Assets of Governmental Activities	\$	17,966
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See accompanying notes to basic financial statements.

TOWNSHIP OF FRANKENMUTH  
STATEMENT OF NET ASSETS - BUSINESS-TYPE FUNDS  
MARCH 31, 2008

	Water General	Water District #5	Water District #6	Water District #7	Water District #8	Water District #9	Water District #11	Water District #12	Total
<b>Assets</b>									
Current assets:									
Cash and investments	\$ 166,767	\$ 72,111	\$ 7,818	\$ 80,989	\$ 977	\$ 21,076	\$ 165,273	\$ 436,151	\$ 990,540
Accounts receivable	-	-	-	800	-	-	-	-	800
Total current assets	166,767	72,111	7,818	80,989	977	21,076	165,273	436,151	990,340
Other assets:									
Special assessments receivable	-	36,069	7,842	19,009	83,450	13,314	226,269	263,782	651,745
Total other assets	-	36,069	7,842	19,009	83,450	13,314	226,269	263,782	651,745
Capital assets:									
Capital assets	569,773	254,784	109,372	184,300	647,032	138,685	653,243	913,758	3,470,947
Less accumulated depreciation	(310,964)	(76,440)	(33,394)	(56,298)	(173,028)	(38,137)	(114,317)	(137,054)	(939,536)
Net capital assets	258,809	178,344	75,978	128,002	473,106	100,548	538,926	776,704	2,531,411
Total Assets	\$ 425,576	\$ 288,544	\$ 91,638	\$ 218,182	\$ 557,533	\$ 134,938	\$ 930,458	\$ 1,476,627	\$ 4,123,494
<b>Liabilities and Net Assets</b>									
Current liabilities:									
Current portion of long-term liabilities	\$ -	\$ -	\$ 10,000	\$ 13,733	\$ 42,900	\$ 7,100	\$ 45,000	\$ 65,000	\$ 183,733
Total current liabilities	-	-	10,000	13,733	42,900	7,100	45,000	65,000	183,733
Long-term liabilities:									
Bonds and loans payable	-	-	10,000	27,471	150,150	24,560	320,000	520,000	1,052,471
Deferred revenue - special assessment	-	38,089	7,842	19,008	83,450	13,314	226,269	263,781	651,744
Total long-term liabilities	-	38,089	17,842	46,479	233,600	37,874	546,269	783,781	1,704,215
Net assets:									
Invested in capital assets, net of related debt	258,809	178,344	75,978	128,002	473,106	100,548	538,926	776,704	2,531,411
Unrestricted	166,767	72,111	7,818	70,170	977	21,076	165,273	436,152	940,341
Total net assets	425,576	250,455	83,796	198,172	474,083	121,624	704,200	1,212,856	3,471,752
Total Liabilities and Net Assets	\$ 425,576	\$ 288,544	\$ 91,638	\$ 218,182	\$ 557,533	\$ 134,938	\$ 930,458	\$ 1,476,627	\$ 4,123,494

See accompanying notes to basic financial statements.

TOWNSHIP OF FRANKENMUTH  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BUSINESS-TYPE FUNDS  
FOR THE YEAR ENDED MARCH 31, 2005

	Water General	Water District #5	Water District #6	Water District #7	Water District #8	Water District #9	Water District #11	Water District #12	Total
Operating revenues:									
Service charges	\$ 11,505	\$ -	\$ -	\$ 800	\$ 800	\$ -	\$ -	\$ 1,600	\$ 14,705
Total operating revenues	11,505	-	-	800	800	-	-	1,600	14,705
Less operating expenses:									
Administration fees	-	235	58	164	542	83	1,300	1,313	3,693
Professional fees	1,207	225	225	225	225	225	225	225	2,782
Repairs and miscellaneous	546	-	-	453	817	-	-	1,225	2,841
Total operating expenses before depreciation	1,753	460	283	842	1,584	308	1,525	2,763	9,318
Operating income (loss) before depreciation	9,752	(460)	(281)	(42)	(584)	(308)	(1,525)	(1,163)	5,389
Less: depreciation	(14,244)	(6,379)	(2,734)	(4,608)	(16,176)	(3,467)	(16,331)	(22,844)	(86,774)
Operating income (loss)	(4,492)	(6,839)	(3,015)	(4,650)	(16,760)	(3,775)	(17,856)	(24,007)	(81,385)
Non-operating revenues and (expenses):									
Special assessments	-	11,018	3,938	24,305	32,995	4,364	57,489	94,066	228,208
Interest income	4,997	2,603	457	2,154	503	1,167	5,547	14,318	31,238
Interest expense	-	-	(1,705)	(1,378)	(13,256)	(2,194)	(22,550)	(34,710)	(75,794)
Paying agent fees	-	-	(400)	-	(343)	(57)	(300)	(400)	(1,500)
Total non-operating revenues and (expenses)	4,997	13,022	2,290	25,081	19,899	3,310	40,196	73,274	182,346
Income (loss) before transfer	505	6,182	(725)	20,430	3,229	(465)	22,330	49,267	100,763
Operating transfers in	-	-	-	-	11,000	-	-	-	11,000
Operating transfers out	-	-	-	-	-	(11,000)	-	-	(11,000)
Change in net assets	505	6,182	(725)	20,430	14,229	(11,465)	22,330	49,267	100,763
Net Assets, Beginning of year	425,071	244,263	64,519	137,540	295,804	101,139	316,868	578,579	2,134,783
Net Assets, End of Year	\$ 425,576	\$ 250,445	\$ 63,794	\$ 157,970	\$ 281,033	\$ 89,674	\$ 339,198	\$ 627,846	\$ 2,235,546

See accompanying notes to basic financial statements.

TOWNSHIP OF FRANKENMUTH  
STATEMENT OF CASH FLOWS - BUSINESS-TYPE FUNDS  
FOR THE YEAR ENDED MARCH 31, 2008

	Water General	Water District #5	Water District #6	Water District #7	Water District #8	Water District #9	Water District #11	Water District #12	Total
Cash flows from operating activities:									
Cash received from customers	\$ 11,505	\$ -	\$ -	\$ -	\$ 800	\$ -	\$ -	\$ 1,600	\$ 13,905
Cash payments to suppliers for goods and services	(1,753)	(480)	(281)	(842)	(1,384)	(308)	(1,525)	(2,783)	(9,316)
Net cash provided (used) for operating activities	9,752	(480)	(281)	(842)	(584)	(308)	(1,525)	(1,183)	4,589
Cash flows from capital and related financing activities:									
Proceeds from special assessments	-	13,559	4,994	25,002	38,505	4,394	57,489	98,030	241,973
Principal paid on loans and bonds	-	-	(10,000)	(13,733)	(42,800)	(7,100)	(45,000)	(85,000)	(183,733)
Interest paid on loans and bonds	-	-	(2,105)	(1,379)	(13,599)	(2,251)	(22,850)	(35,110)	(77,294)
Transfers in (out)	-	-	-	-	11,000	(11,000)	-	-	-
Net cash provided (used) for capital and related financing activities	-	13,559	(7,111)	9,890	(6,894)	(15,957)	(10,361)	(2,080)	(19,054)
Cash flows from investing activities:									
Interest income	4,997	2,003	457	2,154	593	1,187	5,547	14,318	31,238
Net cash provided (used) for investing activities	4,997	2,003	457	2,154	593	1,187	5,547	14,318	31,238
Net increase (decrease) in cash and cash equivalents	14,749	15,102	(6,835)	11,202	(6,985)	(15,098)	(6,338)	11,075	16,771
Cash and Cash Equivalents, Beginning of the year	162,018	57,009	14,751	58,167	7,982	36,174	171,612	425,076	922,769
Cash and Cash Equivalents, End of the year	\$ 176,767	\$ 72,111	\$ 7,916	\$ 69,369	\$ 977	\$ 21,076	\$ 165,273	\$ 436,151	\$ 939,540
Reconciliation of operating income to net cash provided (used) for operating activities:									
Operating income (loss)	\$ (4,492)	\$ (6,830)	\$ (3,015)	\$ (4,660)	\$ (10,700)	\$ (3,775)	\$ (17,856)	\$ (24,007)	\$ (51,385)
Depreciation	14,244	6,370	2,734	4,608	16,176	3,487	16,331	22,844	66,774
Other receivables	-	-	-	(800)	-	-	-	-	(800)
Net cash provided (used) for operating activities	\$ 9,752	\$ (480)	\$ (281)	\$ (842)	\$ (584)	\$ (308)	\$ (1,525)	\$ (1,183)	\$ 4,589

See accompanying notes to basic financial statements.

TOWNSHIP OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1—Summary of Significant Policies

The accounting policies of the Township of Frankenmuth, Saginaw County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or are dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Frankenmuth. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Venture

In 1960, the Township entered into a Joint Venture with the City of Frankenmuth to form the Frankenmuth City-Township Commission. The Commission manages jointly owned property and equipment. The Township contributes to the Frankenmuth City-Township Commission based upon the adopted budget of the Commission. Contributions to the Commission for the year ended March 31, 2006 are as follows: General Fund \$9,086, Fire Fund \$28,509, Cemetery \$784 and Debt Service \$34,961.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

TOWNSHIP OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1—Summary of Significant Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Governmental and business type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

TOWNSHIP OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1—Summary of Significant Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Capital Projects Funds

These funds are used to account for the acquisition or construction of major capital assets.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for assets that are legally restricted.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township's 2005 tax roll millage, collection in 2006, was .86530 for the general fund and 1.98240 for the road construction fund. The taxable value was \$83,915,448.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Cash and Investments

Cash and investments include cash on hand, demand deposits, and certificates of deposit. Cash equivalents, for the statement of cash flows, are those certificates of deposit with a maturity of three months or less. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	40 years
Equipment	5 years

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. At this time the fund balances of governmental funds are unreserved and undesignated.



TOWNSHIP OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

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NOTE 2—Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

NOTE 3—Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

NOTE 3--Deposits and Investments

The Township Board has designated one bank for deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by State law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Township's policies regarding deposits of cash are discussed in Note 1. The table presented below is designed to disclose the level of custody credit risk assumed by the Township based upon how its deposits were insured or secured with collateral at March 31, 2006. The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the Township or by its agent in its name

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Township's name; or collateralized with no written or approved collateral agreement

Type of Deposits	Total Bank Balance	Category 1	Category 2	Category 3	Total Carrying Value
Demand deposits	\$ 525,934	\$ 100,000	\$ -	\$ 425,934	\$ 542,769
Certificates of deposit	1,200,000	-	-	1,200,000	1,200,000
Total Deposits	<u>\$ 1,725,934</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 1,625,934</u>	<u>\$ 1,742,769</u>

TOWNSHIP OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 4--Capital Assets Governmental Activities**

Capital asset of the Township's Governmental activities are as follows:

	Balance April 1, 2005	Additions	Disposals	Balance March 31, 2006
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not subject to depreciation				
Land	\$ 82,000	\$ -	\$ -	\$ 82,000
Capital assets subject to depreciation				
Building improvements	100,000	-	-	100,000
Equipment	26,135	4,530	-	30,665
Subtotal	126,135	4,530	-	130,665
Accumulated Depreciation				
Building improvements	42,500	2,500	-	45,000
Equipment	26,133	696	-	26,829
Subtotal	68,633	3,196	-	71,829
Net capital assets being depreciated	57,502	1,334	-	58,836
Net governmental capital assets	\$ 139,502	\$ 1,334	\$ -	\$ 140,836

**NOTE 5--Capital Assets -- Business-Type Activities**

A summary of business-type capital assets are as follows:

	Balance April 1, 2005	Additions	Disposals	Balance March 31, 2006
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets subject to depreciation: Property, mains and equipment				
Water revenue	\$ 569,773	\$ -	\$ -	\$ 569,773
Water District # 5	254,784	-	-	254,784
Water District # 6	109,372	-	-	109,372
Water District # 7	184,300	-	-	184,300
Water District # 8	647,032	-	-	647,032
Water District # 9	138,685	-	-	138,685
Water District # 11	653,243	-	-	653,243
Water District # 12	913,758	-	-	913,758
Subtotal	3,470,947	-	-	3,470,947
Accumulated Depreciation				
Water revenue	296,720	14,244	-	310,964
Water District # 5	70,070	6,370	-	76,440
Water District # 6	30,660	2,734	-	33,394
Water District # 7	50,688	4,608	-	55,296
Water District # 8	157,750	16,176	-	173,926
Water District # 9	34,670	3,467	-	38,137
Water District # 11	97,986	16,331	-	114,317
Water District # 12	114,220	22,844	-	137,064
Subtotal	852,764	86,774	-	939,538
Net Business-type capital assets	\$ 2,618,183	\$ (86,774)	\$ -	\$ 2,531,409

TOWNSHIP OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

NOTE 6—Changes in Long-Term Debt

The following is a summary of bonds and loan transactions of the Township for the year ended March 31, 2006.

Type of Debt	Balance April 1, 2005	Additions	Retirements	Balance March 31, 2006
Bonds and loans payable	<u>\$ 1,419,937</u>	<u>\$ -</u>	<u>\$ 183,733</u>	<u>\$ 1,236,204</u>

At March 31, 2006, the long-term debt payable from proprietary funds consisted of the following:

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount of Annual Maturity</u>	<u>Outstanding</u>
Water District #6 Issue amount - \$105,000	4.8 to 7.75	3/1/2006-2008	\$ 10,000	\$ 20,000
Water District #7 Issue amount - \$206,000	5.15	3/5/2006-2009	\$13,733	41,204
Water District #8 and #9 issue amount - \$775,000	5.00 to 7.00	4/1/2006-2010	\$50,000 to \$ 75,000	225,000
Water District #11 Issue amount - \$650,000	5.00 to 5.50	3/1/2006-2014	\$45,000 to \$ 50,000	365,000
Water District #12 Issue amount - \$935,000	5.10 to 7.10	3/1/2006-2015	\$35,000 to \$65,000	585,000
			Total	<u>\$ 1,236,204</u>

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of March 31, 2006 are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 183,733	\$ 66,393	\$ 250,126
2008	183,733	56,909	240,642
2009	173,738	47,335	221,073
2010	185,000	38,254	223,254
2011	110,000	27,986	137,986
2012-2015	400,000	51,720	451,720
Total	<u>\$ 1,236,204</u>	<u>\$ 288,597</u>	<u>\$ 1,524,801</u>

TOWNSHIP OF FRANKENMUTH  
NOTES TO FINANCIAL STATEMENTS

NOTE 7--Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 8--Transfers In and Transfers Out

For the fiscal year ended March 31, 2006, the Township had the following interfund transfers:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Police	\$ 55,000	General	\$ 55,000
Road	50,000	General	50,000
Building	25,000	General	25,000
Fire equipment	5,000	General	5,000
Water district # 8	11,000	Water district # 9	11,000
Total	<u>\$ 146,000</u>	Total	<u>\$ 146,000</u>

Note--9 Prior Period Adjustment

Fund balance for the general fund at March 31, 2005, has been restated by a total of \$ 21,637. The fund balance was increased to recognize state revenue sharing earned in the 2005 fiscal year. Fund balance was restated as follows:

Fund balance March 31, 2005 as previously stated:	\$ 315,564
Adjustment for state revenue sharing	21,637
Fund balance, restated	<u>\$ 337,201</u>

Net assets were also restated as follows:

Net assets March 31, 2005 as previously stated:	\$ 935,798
Adjustment for state revenue sharing	21,637
Net assets, restated	<u>\$ 957,435</u>

TOWNSHIP OF FRANKENMUTH  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>				
Property taxes	\$ 72,090	\$ 72,090	\$ 72,648	\$ 558
Licenses and permits	2,125	2,125	1,290	(835)
State revenue sharing	130,000	130,000	140,050	10,050
Charges for services:				
Property tax administration	32,575	32,575	33,622	1,047
Interest	3,000	3,000	9,505	6,505
Special assessments	1,375	1,375	1,375	-
Miscellaneous	-	-	1,645	1,645
Total revenues	<u>241,165</u>	<u>241,165</u>	<u>260,135</u>	<u>18,970</u>
<u>Expenditures</u>				
Legislative:				
Township Board	91,425	91,425	88,539	(2,886)
General government:				
Supervisor	12,900	12,900	12,037	(863)
Elections	1,450	1,450	1,205	(245)
Assessor	10,500	10,690	10,690	-
Clerk	12,250	12,250	11,823	(427)
Board of Review	1,300	1,300	926	(374)
Treasurer	14,950	14,950	14,586	(364)
Building and grounds	9,086	9,086	9,086	-
Cemetery	784	784	784	-
Public safety:				
Fire protection	28,509	28,509	28,509	-
Planning and zoning	17,100	17,100	11,838	(5,262)
Public works:				
Street lighting	3,500	3,500	3,645	145
Sanitation	3,000	3,145	949	(2,196)
Total expenditures	<u>206,754</u>	<u>207,089</u>	<u>194,617</u>	<u>(12,472)</u>
Excess (deficiency) of revenues over expenditures	34,411	34,076	65,518	31,442
Other financing sources (uses):				
Operating transfers out	(103,000)	(103,000)	(103,000)	-
Total other financing sources (uses)	<u>(103,000)</u>	<u>(103,000)</u>	<u>(103,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(68,589)	(68,924)	(37,482)	31,442
Fund Balance, Beginning Restated	337,201	337,201	337,201	-
Fund Balance, Ending	<u>\$ 268,612</u>	<u>\$ 268,277</u>	<u>\$ 299,719</u>	<u>\$ 31,442</u>

TOWNSHIP OF FRANKENMUTH  
BUDGETARY COMPARISON SCHEDULE - POLICE FUND  
FOR THE YEAR ENDED MARCH 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>				
State revenue	\$ 385	\$ 385	\$ 385	\$ -
Interest	388	388	1,602	1,214
Special assessments	166,100	166,100	163,090	(3,010)
Total revenues	<u>166,873</u>	<u>166,873</u>	<u>165,077</u>	<u>(1,796)</u>
<u>Expenditures</u>				
Public safety				
Contracted services	189,442	194,397	194,397	-
Professional services	225	225	225	-
Total expenditures	<u>189,667</u>	<u>194,622</u>	<u>194,622</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(22,794)	(27,749)	(29,545)	(1,796)
Other financing sources (uses):				
Operating transfers in	23,000	23,000	55,000	32,000
Total other financing sources (uses)	<u>23,000</u>	<u>23,000</u>	<u>55,000</u>	<u>32,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	206	(4,749)	25,455	30,204
Fund Balance, Beginning	85,149	85,149	85,149	-
Fund Balance, Ending	<u>\$ 85,355</u>	<u>\$ 80,400</u>	<u>\$ 110,604</u>	<u>\$ 30,204</u>

TOWNSHIP OF FRANKENMUTH  
BUDGETARY COMPARISON SCHEDULE - ROAD FUND  
FOR THE YEAR ENDED MARCH 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>				
Interest	\$ 1,100	\$ 1,100	\$ 3,149	\$ 2,049
Special assessments	169,740	169,740	166,347	(3,393)
Miscellaneous	3,900	3,900	3,828	(72)
Total revenues	<u>174,740</u>	<u>174,740</u>	<u>173,324</u>	<u>(1,416)</u>
<u>Expenditures</u>				
Public works				
Contracted services	224,500	224,500	191,184	(33,316)
Professional services	225	225	225	-
Total expenditures	<u>224,725</u>	<u>224,725</u>	<u>191,409</u>	<u>(33,316)</u>
Excess (deficiency) of revenues over expenditures	(49,985)	(49,985)	(18,085)	31,900
Other financing sources (uses):				
Operating transfers in	50,000	50,000	50,000	-
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	15	15	31,915	31,900
Fund Balance, Beginning	136,441	136,441	136,441	-
Fund Balance, Ending	<u>\$ 136,456</u>	<u>\$ 136,456</u>	<u>\$ 168,356</u>	<u>\$ 31,900</u>



TOWNSHIP OF FRANKENMUTH  
BUDGETARY COMPARISON SCHEDULE - GARBAGE FUND  
FOR THE YEAR ENDED MARCH 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>				
Interest	\$ 800	\$ 800	\$ 3,843	\$ 3,043
Special assessments	85,946	85,946	77,926	(8,020)
Miscellaneous	1,550	1,550	5,293	3,743
Total revenues	<u>88,296</u>	<u>88,296</u>	<u>87,062</u>	<u>(1,234)</u>
<u>Expenditures</u>				
Public works				
Contracted services	86,800	86,800	75,796	(11,004)
Professional services	225	225	225	-
Total expenditures	<u>87,025</u>	<u>87,025</u>	<u>76,021</u>	<u>(11,004)</u>
Excess (deficiency) of revenues over expenditures	1,271	1,271	11,041	9,770
Other financing sources (uses):				
Operating transfers out	-	-	(32,000)	(32,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(32,000)</u>	<u>(32,000)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,271	1,271	(20,959)	(22,230)
Fund Balance, Beginning	121,903	121,903	121,903	-
Fund Balance, Ending	<u>\$ 123,174</u>	<u>\$ 123,174</u>	<u>\$ 100,944</u>	<u>\$ (22,230)</u>



# Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner  
Giacamo Provenzano  
James R. Schauman  
Heather A. Thomas

August 29, 2006

Township Board  
Township of Frankenmuth  
Saginaw County, Michigan

In planning and performing our audit of the financial statements of Township of Frankenmuth for the year ended March 31, 2006, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of two matters that are opportunities for strengthening internal control and operating efficiency. This letter summarizes our comments and suggestions concerning those matters.

## Audit Adjustments

We noted that audit entries have not been recorded in past years. In order for the internal books to reconcile with the audit, we recommend that audit entries be posted after each audit has been completed.

## Budget Amendments

We noted the board has adopted amendments to the budget. However, those amendments do not appear to be displayed in subsequent reports given to the Board.

We suggest the most recent budget adopted for any fiscal year be displayed in reports given to the Board.

To the Board of Directors  
Township of Frankenmuth  
April 26, 2006  
Page Two

The preceding comments and recommendations are intended solely for the information and use of the management and others within the organization and should not be used by anyone other than these specified parties. We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the Township Treasurer, and we will be pleased to discuss them in further detail at your convenience.

Very truly yours,

*Gardner, Provenzano, Schauman & Thomas, P.C.*

Gardner, Provenzano, Schauman & Thomas, P.C.